



ECONOMIC REVIEW  
2007

 **LAPPSET**®



## INDEX

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<i>Annual report</i>	3
<i>Accounting principles</i>	6
<i>Consolidated company profit &amp; loss account</i>	7
<i>Consolidated balance sheet</i>	8
<i>Consolidated cash flow statement</i>	10
<i>Parent company profit &amp; loss account</i>	11
<i>Parent balance sheet</i>	12
<i>Parent cash flow statement</i>	14
<i>Auditors' report</i>	17

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## LAPPSET MISSION

We create the most inspiring playing and learning environments to fill the world with feelings of success, joy and laughter.

## LAPPSET VISION 2011

Lappset has become a pioneer in the industry. We have grown particularly strongly in Asia and Europe. We also operate in both North and South America. Lappset is a profitable family business, strongly committed to its northern roots. Nevertheless, some of the business has been internationalised and some assembly and warehousing takes place abroad. Lappset offers all-round solutions consisting of a combination of products and services, for people of all ages. We have an efficient partnership network. Lappset is renowned for its innovativeness, for having the best customer service in the industry and enthusiastic staff.



## ANNUAL REPORT 2007

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 1 JANUARY 2007 - 31 DECEMBER 2007

#### Economic Development

In 2007, growth in the global economy continued, with the developing economies of Asia still the hub for such growth. Investment activity has been good in developing countries, which is also maintaining growth in the industrialised world. Imports to Russia also continued to grow during 2007, and are not expected to decline, at least during the coming months. In 2008, however, growth in the global economy is expected to slow down.

The price of raw materials continued to rise during 2007.

#### Competition and market structure

In Europe, the industry continued to follow a trend of consolidation. At the beginning of 2007, Lappset Group Ltd purchased Joli Oy. The transaction was finalised on 2 January 2007. The subsidiary, Piha-Mäntyranta Oy, was merged with the Parent Company in November 2007. Lappset will continue its interest in expansion through corporate acquisitions.

The production activities and purchases of playground equipment manufacturers are increasingly shifting to Asia and Eastern Europe. Lappset's purchases from outside Finland amounted to just 9% of the company's pur-

chasing. Lappset is committed to its Nordic location, and considers the development of the region as a competitive global advantage. In production, development of the Lea operating model is continuing. The Lappset factory is located in Rovaniemi surrounded by raw materials. This makes the development of high-quality production in the area important. The development of processes is seen as a constant activity.

In addition to the acquisition of Joli Oy, investments were also made in packing and warehousing. Investment in production was less than in previous years, as the machinery is already modern and efficient. Lappset firmly remains a Finnish and Lappish company.

Climate change is increasingly affecting customer behaviour. The use of wood from renewable resources is the environmentally-friendly alternative. There are already clear indications of this in different market areas. Lifecycle thinking will increase in all industries, not least in ours. Lappset expects the market share for wooden playground equipment to increase in the future.

In 2007, Lappset was recognised for its achievements with several different awards. The most significant were the 'Vuoden Liikuttaja' (Mover of the Year) award, the 'Suomen Kuvalehti' (Finnish Illustrated) award for Finland's Best Company in the Employer category and the NOT (National Exhibition on Education) 2007 Innovation Prize in Holland. The number of people employed by the company increased from the 2006 figure, by 42, to a total of 324.



## Group results and balance sheet

Group turnover increased to MEUR 45.6, representing an increase of 16% over the previous year. Operating profit was MEUR 3.2, which was 22.1% greater than the previous year. Interest risks were protected using derivatives. Bonuses paid to employees totalled EUR 278,000.

The result of the financial period for the Group before taxes and appropriations was MEUR 2.6. The net result was a profit of MEUR 1.4.

The turnover for the Parent Company was MEUR 30.9, which was 17.7% greater than the previous year. The net result was a profit of MEUR 1.2. This fell below expectations. Earlier investments in production- and product development were still evident in the cost structure. Through implemented production investments and international acquisitions, it was, however, possible to keep the gross sales margin at the same level as previous years. We were able to further improve production capacity and delivery reliability.

The balance sheet total for the Group was MEUR 25.6, which was 1.1% greater than the previous year. The warehouse turnover rate slowed considerably during the second half of the year. The turnover rate for sales receivables in the Group clearly improved. The equity ratio increased from a figure of 36.4% in the previous year to a level of 39.9% in 2007.

The balance sheet total for the Parent Company was MEUR 18.9, which was 4% greater than the previous year. The biggest changes were caused by the acquisition of Joli Oy and the growth of inventories.

### The Board of Directors' proposal for the distribution of profit

According to the Group balance sheet, Group free equity totalled EUR 7,333,539.09. The free equity of the Parent Company was EUR 6,917,151.94.

The board proposes a dividend for 2007 of EUR 1.50 per

share. The total number of shares is 410,402, which represents total dividends of EUR 615,603. The profit fund account was left with EUR 6,301,548.94.

### Administration

During 2007, the Board of Directors for the company included Chairperson, Johanna Ikäheimo with members Ben Grass, Torkell Tallqvist, Antero Ikäheimo, Erkki Ikäheimo and Petteri Ikäheimo. Satu Jokinen acted as Secretary to the Board.

The Managing Director changed at the end of 2007. Juha Laakkonen took up the position on 1 January 2008.

### Outlook for the future

Global economic growth is expected to marginally slow down. In spite of the global economic situation, Lappset has good possibilities for growth in Eastern Europe, and is continuing to invest strongly in the region. Prospects in Asian export countries are also positive, and investments aimed at increasing sales are continuing there. Lappset is also endeavouring to strengthen its position in the Nordic countries and elsewhere in Europe. Expansion into Australia and North America is considered to be beneficial, chiefly with new product ranges such as SmartUs.

Lappset acts as a pioneer in the industry, and is an innovative expert in play. New research projects aimed at the development of schools of the future in co-operation with companies, research institutes and the public sector, and the development of active play for adults in international EU projects provides a new direction for the whole industry. Innovation is seen as a part of daily operations and the entire work force participates in this.

The start-up of sales of the SmartUs product range was a great success, with the company setting up reference playgrounds in all major countries. In 2008, sales of SmartUs are expected to take off rapidly. Strong development of the SmartUs range also continued, and new services will be launched in the coming year.

The service business model developed by the company has continued to grow strongly in the domestic market, and its international launch will be a significant factor for operational growth in the coming years.

The profitability of the Parent Company of the Group is expected to improve in 2008 compared to the previous

year. Carefully planned investments give the company a good base on which to improve its profitability in the coming years. A committed and professional work force enables the company to operate competitively in global markets.



## GROUP FIGURES

	01. - 12.2007	01. - 12.2006	01. - 12.2005	01. - 12.2004	01. - 12.2003
Turnover, M€	45,7	39,4	37,5	33,3	33,1
Profit, M€	3,2	2,6	3,4	2,3	3,4
Profit for the fiscal period, M€	1,4	1,2	1,9	0,9	1,8
Return on capital employed, %	18,3	15,5	23,5	17,8	24,8
Equity ratio, %	39,9	36,4	38,0	39,0	36,5

## ACCOUNTING PRINCIPLES

### Scope of consolidation

The consolidated financial statements include all group undertakings: Lappset Group Oy (parent company); Rovaniemi, Finland, Smartus Oy, Rovaniemi, Finland, Joli Oy, Järvenpää, Finland, Lappset Spiel-, Park- und Freizeitsysteme GmbH, Viersen, Germany, Lappset UK Ltd, Kettering, England, Lappset Sweden AB, Enköping, Sweden, Lappset Play SRL, Milan, Italy and Lappset España VR SL, Barcelona, Spain.

### Accounting principles applied in the consolidated financial statements

#### *Intragroup transactions and margins*

The consolidated financial statements have been prepared using the acquisition cost method. Intragroup transactions, unrealized margins on internal deliveries, intragroup receivables and debts, and internal distribution of profit have been eliminated.

Piha-Mäntyranta Oy; Pello, Finland, merged with Lappset Group Ltd on 31 October 2007. The impact of the merger has not been included in the Group Annual Report.

#### *Intragroup shareholdings*

The excess of the purchase price of subsidiaries over the Group's share of the acquired companies' net assets is recorded as goodwill. Goodwill is amortized over a 5 year period.

#### *Minority interests*

Minority interests are excluded from the Group's profits and shareholders' equity and presented as separate items in the consolidated financial statements.

#### *Translation differences*

The financial statements of foreign subsidiaries have been translated into euros using the official exchange rate set by the European Central Bank for the euro. Translation differences are presented as a separate item.

#### *Valuation principles used in the financial statements*

Fixed assets have been entered in the balance sheet at cost after deduction of planned depreciation.

The value of inventories is based on acquisition cost or the lower probable transfer price or lower replacement price. The acquisition price is specified using the flexible average price method, resembling the FIFO principles. The acquisition price for finished products and work in progress includes variable charges.

The marketing material is handled as an asset and valued at acquisition cost.

The development costs of the ERP system have been activated. The direct development costs for product development have been activated in accordance with the resolution of the Ministry of Trade and Industry. The depreciation period for the item in question is five years.

#### *Deferred tax*

Depreciation reserve has been divided into shareholders' equity and deferred tax liability.

The deferred tax liability and assets have been calculated on the basis of the temporary differences between taxation and the financial statements using the tax rate for the coming years as confirmed at the close of the financial period.



## PROFIT AND LOSS ACCOUNT

Lappset Group Oy, consolidated

	EUR	EUR
	1.1. - 31.12.2007	1.1. - 31.12.2006
<b>NET TURNOVER</b>	<b>45 679 848</b>	<b>39 382 808</b>
Variation in stocks of finished goods	1 027 870	33 843
Production for own use	35 740	91 117
Other operating income	229 171	78 919
<b>Raw materials and services</b>		
Raw materials and consumables		
Purchases during the financial year	-15 298 369	-12 936 429
Variation in stock	257 229	142 567
External services	-2 494 927	-2 118 484
<b>Together</b>	<b>-17 536 067</b>	<b>-14 912 347</b>
<b>Staff expenses</b>	<b>-13 160 814</b>	<b>-10 902 761</b>
<b>Depreciation and reduction in value</b>		
Depreciation according to plan	-1 484 190	-1 272 698
Reduction in value of non-current assets	0	-117 732
Depreciation of goodwill on consolidation	-138 830	-2 884
<b>Together</b>	<b>-1 623 020</b>	<b>-1 393 314</b>
<b>Other operating charges</b>	<b>-11 444 966</b>	<b>-9 750 171</b>
<b>OPERATING PROFIT</b>	<b>3 207 761</b>	<b>2 628 095</b>
<b>Financial income and expenses</b>		
Other interest- and financial income	137 517	43 073
Foreign exchange differences	-74 042	-7 168
Interests and other financial expenses	-631 506	-479 555
<b>Financial income and expenses together</b>	<b>-568 031</b>	<b>-443 650</b>
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>2 639 730</b>	<b>2 184 445</b>
Extraordinary income	0	0
Extraordinary expenses	0	0
Extraordinary consignments	0	0
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>2 639 730</b>	<b>2 184 445</b>
<b>Taxes</b>		
Income taxes	-936 089	-731 295
Income taxes for previous years	16 786	170 000
Income taxes for the financial year	-6 204	-84 324
Minority share	-324 896	-329 850
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>1 389 327</b>	<b>1 208 976</b>

## BALANCE SHEET

Lappset Group Oy, consolidated

	EUR 31.12.2007	EUR 31.12.2006
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Development costs	1 006 984	1 283 697
Intangible rights	835 220	589 632
Goodwill	155 205	250 500
Consolidation difference	555 924	15 021
Other capitalized long term expenses	323 920	355 699
Advance payments	78	0
<b>Together</b>	<b>2 877 330</b>	<b>2 494 550</b>
<b>Tangible assets</b>		
Land and waters	161 789	181 972
Buildings	1 211 297	1 303 700
Machinery and equipment	3 346 318	3 373 628
Other tangible assets	25 869	25 369
Advance payments and acquisitions outstanding	996	19 066
<b>Together</b>	<b>4 746 269</b>	<b>4 903 734</b>
<b>Investments</b>		
Other shares and similar rights of ownership	407 764	410 790
<b>Together</b>	<b>407 764</b>	<b>410 790</b>
<b>CURRENT ASSETS</b>		
<b>Stocks</b>		
Raw materials and consumables	1 133 229	980 778
Production outstanding	159 406	107 389
Finished goods	3 916 216	2 714 911
<b>Together</b>	<b>5 208 851</b>	<b>3 803 077</b>
<b>Debtors</b>		
<b>Long term</b>		
Loan receivables	96 257	83 657
Trade debtors	15 602	14 674
<b>Together</b>	<b>111 859</b>	<b>98 331</b>
<b>Short term</b>		
Trade debtors	9 846 097	9 718 362
Other debtors	273 664	253 698
Prepayments and accrued income	749 657	1 297 414
<b>Together</b>	<b>10 869 418</b>	<b>11 269 474</b>
<b>Cash in hand and in banks</b>	<b>1 329 059</b>	<b>2 280 639</b>
<b>TOTAL ASSETS</b>	<b>25 550 550</b>	<b>25 260 597</b>



## BALANCE SHEET

Lappset Group Oy, consolidated

	EUR	EUR
LIABILITIES	31.12.2007	31.12.2006
<b>CAPITAL AND RESERVES</b>		
Subscribed capital	814 804	814 804
Share Premium account	54 548	54 548
Legal reserve	454 107	454 107
Invested free equity fund	100 000	0
Retained earnings	5 844 212	5 305 869
Profit for the financial year	1 389 327	1 208 976
<b>Together</b>	<b>8 656 998</b>	<b>7 838 305</b>
<b>Minority share</b>	<b>1 531 373</b>	<b>1 357 186</b>
<b>CREDITORS</b>		
<b>Long term</b>		
Loans from credit institutions	4 473 635	6 332 992
Imputed tax liability	358 551	358 894
Other capitalised long-term expenses	24 516	5 959
<b>Together</b>	<b>4 856 701</b>	<b>6 697 845</b>
<b>Short term</b>		
Loans from credit institutions	3 826 770	2 538 723
Trade creditors	1 628 235	2 211 303
Other creditors	950 127	813 809
Accruals and deferred income	4 100 345	3 803 425
<b>Together</b>	<b>10 505 477</b>	<b>9 367 260</b>
<b>TOTAL LIABILITIES</b>	<b>25 550 550</b>	<b>25 260 597</b>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Lappset Group Oy, consolidated

	EUR 1.1. - 31.12.2007	EUR 1.1. - 31.12.2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit	3 207 761	2 628 095
Adjustments to operating profit	1 623 020	1 393 314
Change in working capital	-1 155 548	-229 040
Change in stocks	-1 405 773	-170 129
Change in current receivables	400 056	-1 135 305
Change in short-term loans	-149 831	1 076 393
Interest paid	-705 548	-486 723
Interest received	137 517	43 073
Taxes received	-919 303	-561 295
<b>Cash flow from operating activities</b>	<b>2 187 900</b>	<b>2 787 423</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-1 633 002	-1 925 236
Proceeds from disposal of tangible and intangible assets	-212 307	69 257
Loan repayments	87 000	77 521
<b>Cash flow from investments</b>	<b>-1 758 309</b>	<b>-1 778 458</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Withdrawals of short-term loans	3 420 694	0
Short-term loan repayments	-2 626 427	-2 902 784
Withdrawals of long-term loans	34 423	5 519 900
Long-term loan repayments	-1 413 282	-1 643 559
Dividends paid	-758 197	-921 186
<b>Cash flow from financing activities</b>	<b>-1 342 789</b>	<b>52 371</b>
Translation differences	-38 381	50 920
<b>Change in liquid assets</b>	<b>-951 580</b>	<b>1 112 257</b>
Liquid assets as of 1 January	2 280 639	1 168 382
<b>Liquid assets as of 31 December</b>	<b>1 329 059</b>	<b>2 280 639</b>

## PROFIT AND LOSS ACCOUNT

Lappset Group Oy, parent company

	EUR 1.1. - 31.12.2007	EUR 1.1. - 31.12.2006
<b>NET TURNOVER</b>	<b>30 988 655</b>	<b>26 332 172</b>
Variation in stocks of finished goods	1 129 123	19 875
Production for own use	26 337	91 117
Other operating income	241 082	53 623
<b>Raw materials and services</b>		
Raw materials and consumables		
Purchases during the financial year	-12 464 378	-10 174 046
Variation in stock	132 846	213 877
External services	-505 612	-255 274
<b>Together</b>	<b>-12 837 143</b>	<b>-10 215 443</b>
<b>Staff expenses</b>	<b>-8 621 059</b>	<b>-7 111 506</b>
<b>Depreciation and reduction in value</b>		
Depreciation according to plan	-1 124 951	-1 028 946
<b>Other operating charges</b>	<b>-7 596 136</b>	<b>-6 304 475</b>
<b>OPERATING PROFIT</b>	<b>2 205 908</b>	<b>1 836 416</b>
<b>Financial income and expenses</b>		
Income from group undertakings	190 641	208 370
Other financial income		
Income from group undertakings	32 247	6 199
Income from others	111 809	24 260
Foreign exchange differences	-14 501	-12 443
<b>Interests and other financial expenses</b>		
for group companies	-522	-19 008
for others	-445 273	-340 702
Reduction in value of investments	-299 999	-330 000
<b>Together</b>	<b>-425 598</b>	<b>-463 323</b>
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	<b>1 780 310</b>	<b>1 373 093</b>
<b>Extraordinary items</b>		
Extraordinary income	258 807	100 000
Extraordinary expenses	-509 000	0
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>1 530 117</b>	<b>1 473 093</b>
<b>Appropriations</b>		
Change in depreciation reserve	-6 510	-242 844
<b>Taxes</b>		
Income taxes for previous years	23 961	122 841
Income taxes for the financial year	-381 878	-379 754
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>1 165 691</b>	<b>973 337</b>

## BALANCE SHEET

Lappset Group Oy, parent company

	EUR	EUR
	1.1. - 31.12.2007	1.1. - 31.12.2006
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Development costs	399 919	1 283 697
Intangible rights	503 960	427 885
Other capitalized long term expenses	318 046	347 010
Advance payments	325 082	105 951
<b>Together</b>	<b>1 547 007</b>	<b>2 164 543</b>
<b>Tangible assets</b>		
Land and waters	161 789	153 929
Buildings	930 507	805 024
Machinery and equipment	3 022 907	3 168 385
Other tangible assets	25 865	24 765
Advance payments and acquisitions outstanding	147 210	23 057
<b>Together</b>	<b>4 288 278</b>	<b>4 175 160</b>
<b>Investments</b>		
Holdings in group undertakings	2 819 892	1 777 875
Other shares and similar rights of ownership	407 764	410 790
<b>Together</b>	<b>3 227 655</b>	<b>2 188 665</b>
<b>CURRENT ASSETS</b>		
<b>Stocks</b>		
Raw materials and consumables	813 720	716 433
Production outstanding	159 406	107 389
Finished goods	3 194 514	1 905 877
<b>Together</b>	<b>4 167 640</b>	<b>2 729 700</b>
<b>Debtors</b>		
<b>Long term</b>		
Amounts owed by group undertakings	501 460	561 511
Loan receivables	30 000	65 000
<b>Together</b>	<b>531 460</b>	<b>626 511</b>
<b>Short term</b>		
Trade debtors	2 640 294	2 651 511
Amounts owed by group undertakings	1 221 391	1 632 628
Other debtors	102 162	47 527
Prepayments and accrued income	516 741	998 564
<b>Together</b>	<b>4 480 587</b>	<b>5 330 229</b>
<b>Cash in hand and in banks</b>	<b>744 956</b>	<b>1 049 508</b>
<b>TOTAL ASSETS</b>	<b>18 987 583</b>	<b>18 264 316</b>



## BALANCE SHEET

Lappset Group Oy, parent company

	EUR	EUR
	1.1. - 31.12.2007	1.1. - 31.12.2006
<b>LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Subscribed capital	814 804	814 804
Other reserves		
Share premium account	54 548	54 548
Legal reserve	454 107	454 107
Invested free equity fund	100 000	0
Retained earnings	5 651 461	5 289 228
Profit for the financial year	1 165 691	973 337
<b><i>Together</i></b>	<b>8 240 611</b>	<b>7 586 023</b>
<b>APPROPRIATIONS</b>		
<b><i>Depreciation reserve</i></b>	<b>794 950</b>	<b>726 909</b>
<b>CREDITORS</b>		
<b><i>Pitkäaikainen</i></b>		
Loans from credit institutions	4 329 212	6 035 152
Amounts owed to group undertakings	0	7 351
Other creditors	1 860	1 860
<b><i>Together</i></b>	<b>4 331 072</b>	<b>6 044 363</b>
<b><i>Short term</i></b>		
Loans from credit institutions	1 605 803	1 091 438
Trade creditors	858 588	1 133 326
Amounts owed to group undertakings	534 008	1 208
Other creditors	576 539	128 045
Accruals and deferred income	2 046 012	1 553 004
<b><i>Together</i></b>	<b>5 620 950</b>	<b>3 907 021</b>
<b>TOTAL LIABILITIES</b>	<b>18 987 583</b>	<b>18 264 316</b>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Lappset Group Oy, parent company

	EUR 1.1. - 31.12.2007	EUR 1.1. - 31.12.2006
Operating profit	2 205 908	1 836 416
Adjustments to operating profit	1 124 951	1 028 946
Change in working capital	-58 641	-872 690
Change in stocks	-1 261 969	-233 752
Change in current receivables	966 517	-160 448
Change in short-term loans	236 811	-478 490
Interest paid	-445 795	-359 710
Interest received	129 555	18 016
Dividends received	190 641	208 370
Taxes	-357 917	-256 912
<b>Cash flow from operating activities</b>	<b>2 788 703</b>	<b>1 602 437</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-1 750 008	-1 740 929
Proceeds from disposal of tangible and intangible assets	17 869	19 135
Loans granted	0	-59 026
Loan repayments	95 051	77 521
<b>Cash flow from investments</b>	<b>-1 637 088</b>	<b>-1 703 299</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Withdrawals of short-term loans	2 457 707	0
Short-term loan repayments	-2 453 527	-2 395 506
Withdrawals of long-term loans	26 352	5 519 900
Long-term loan repayments	-1 222 107	-1 422 588
Dividends paid	-348 604	-753 694
Group contribution income and expenses	0	100 000
<b>Cash flow from financing activities</b>	<b>-1 540 179</b>	<b>1 048 112</b>
Translation differences	-388 564	947 250
<b>Liquid assets as of 1 January</b>	<b>1 049 508</b>	<b>102 259</b>
Funds transferred in the merger	84 012	0
<b>Liquid assets as of 31 December</b>	<b>744 956</b>	<b>1 049 508</b>



## LAPPSET GROUP LTD

Signatures of the Board of Directors and CEO on the financial statements of the company for 1 January - 31 December 2007

Rovaniemi, 28 February 2008



Johanna Ikäheimo  
Chairman of the Board



Juha Laakkonen  
CEO



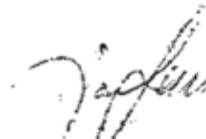
Antero Ikäheimo



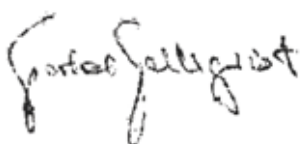
Erkki Ikäheimo



Petteri Ikäheimo



Ben Grass



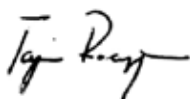
Torkel Tallqvist

## NOTATION OF THE ANNUAL REPORT

The above annual report from the accounting period of 1 January - 31 December 2007 has been made according to good accounting procedure. Auditors' report of the completed auditing has been hand out today.

Rovaniemi, 5 March 2008

KPMG OY AB



Tapio Raappana  
Authorised Public Accountant





## AUDITORS' REPORT

### For the shareholders of Lappset Group Oy

We have audited the accounting, financial statements, report of activities and corporate governance of Lappset Group Oy for the financial year from 1 January 2007 - 31 December 2007. The report of activities and financial statements compiled by the Board of Directors and CEO comprise the consolidated and parent company balance sheets, profit and loss accounts, cash flow statements and notes to the financial statements. Based on our audit, we express an opinion on these financial statements, reports of activities and on corporate governance of the parent company.

The audit has been conducted in accordance with good auditing practices. The accounting and the preparation principles, content and form of presentation of financial statements are in this case audited in a scope sufficient for stating whether the financial statements and report of activities are free of substantial errors or shortcomings. The audit of corporate governance for the parent company examined the lawfulness of the activities of the Board of Directors and the CEO on the basis of the provisions of the Companies Act.

In our opinion, the financial statements and report of activities have been prepared in accordance with the Accounting Act and with other rules and regulations governing the presentation of financial statements. The financial statements and report of activities give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The report of activities is consistent with the financial statements. The financial statements together with consolidated finan-

cial statements can be adopted, and the members of the Board of Directors and the CEO can be discharged from liability for the period audited by us. The Board of Directors' proposal for the distribution of profits is in compliance with the Companies Act.

Rovaniemi, 5 March 2008

KPMG Oy Ab

Tapio Raappana  
Authorised Public Accountant



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